State Aid & Long Range Financial Planning

John Brucato
Assistant Superintendent for Finance & Operations
Briarcliff Manor UFSD

Dr. Ron Clamser, Jr.
Assistant Superintendent for Business
Putnam Northern Westchester BOCES

Agenda

- What is State Aid?
- Rockefeller Institute Foundation Aid Study
  - Purpose
  - Process
  - Results/Recommendations
- Long Range Planning
  - Revenues
  - Expenses
  - Capital Planning
- Long Range Plan Demo
- Resources

What is State Aid?

State Aid is the mechanism by which New York State fulfills its constitutional requirement to "adequately" fund a "sound basic education" for all students in New York.

- *Campaign for Fiscal Equity, Inc. vs State* (2001) - a state Supreme Court ruled that New York State had consistently violated the state constitution by failing to provide for a "sound basic education."
- The New York State Court of Appeals, the state's highest court, upheld this decision and ordered the state to ascertain the actual cost of providing a "sound basic education."

What is State Aid?

The state constitution authorizes appropriations of up to 2 years for school aid, although this has never been done in practice.

- All school aid is determined annually by an act of the state legislature, through the state budget process.
  - Governor must annually submit proposed school aid appropriations to the legislature as part of the state's Executive Budget process.
    - Negotiations with the Governor (generally but not required)
  - Legislature enacts school aid appropriations through the Legislative Budget approval process.

What is State Aid?

Where does state aid come from:

- State General Fund
  - Income taxes
  - Sales taxes
- STAR (School Property Tax Relief)
  - Approximately 10%
  - Was 20% in 2010
- Special Revenue Fund (used to supplant rather than supplement)
  - State lottery, video lottery terminal, commercial gaming, mobile sports wagering
  - Cannabis

State Aid Categories

In general, there a 3 basic state aid categories:

- Foundation Aid
- Reimbursable Aids
  - Transportation, BOCES, high-cost, library, textbook, hardware, etc.
- Grants-in-Aid

Foundation Aid

- Intended to distribute aid based upon cost of providing an adequate education per pupil
- First enacted in 2007-08 (in response to *Campaign for Fiscal Equity* ruling)
    - Initially a 4 year phase in
    - 2009-10 enacted budget extended the phase-in to 2013-14
        - froze 2009-10 & 2010-11 to the 2007-08 levels
- Preceded by “operation aid” and “comprehensive aid”
- Largest unrestricted aid category

Foundation Aid

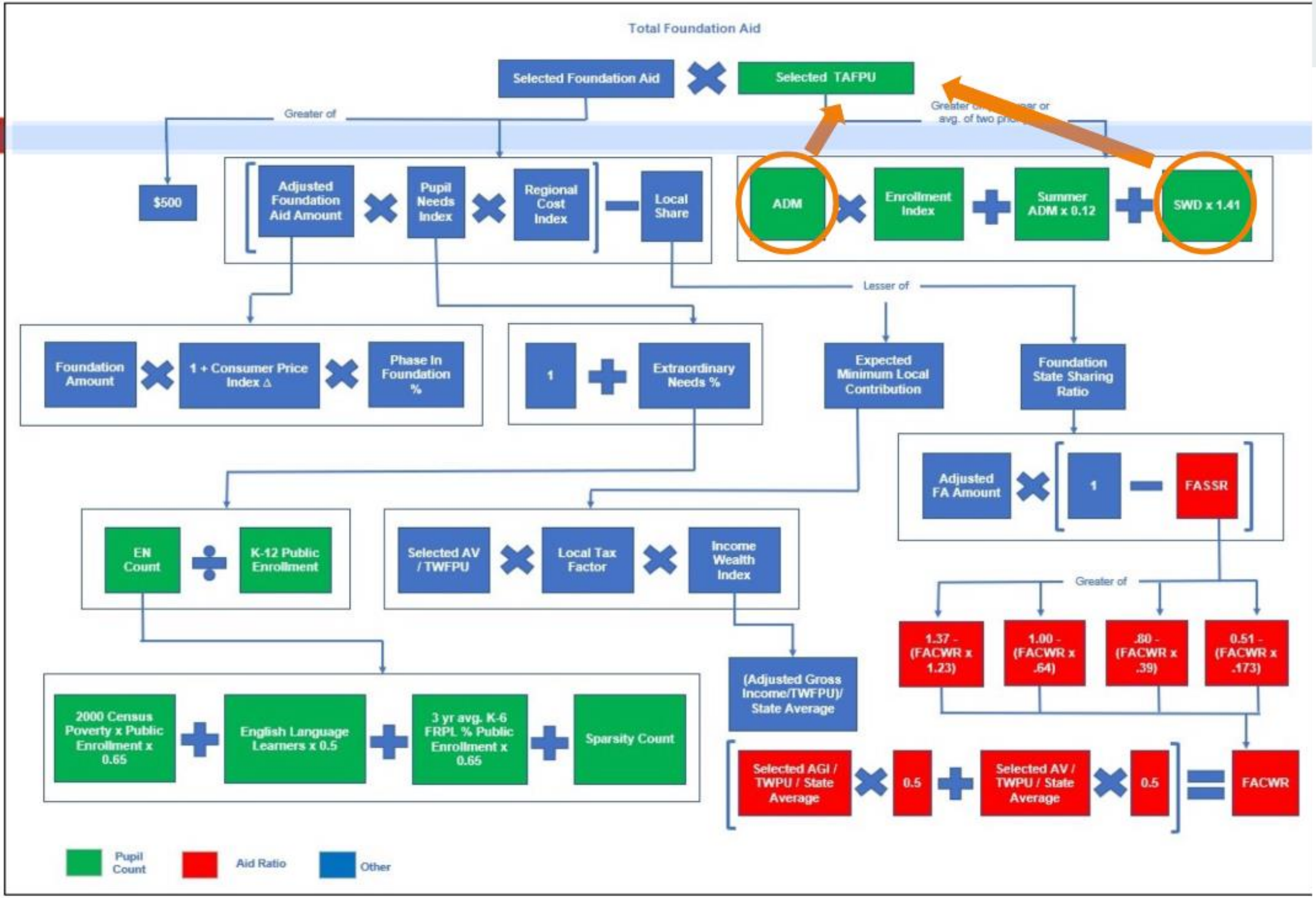
Formula based

- Foundation Amount - an adequate education for each pupil
- Pupil Needs Index (PNI) - adjustment to factor students needing extra help & time
  - Includes extraordinary needs, poverty count, English language learned, free & reduced lunch, sparsity count, census, etc.
- Regional Cost Index (RCI)

Together, the 3 components constitute the *standard local cost of education* then deducts a fair local share *(Expected Minimum Local Contribution)*

- Includes local tax factor, local wealth factor, etc.

School District Foundation Aid per Pupil = Standard Local Cost of Education [Foundation Amount x PNI (Pupil Needs Index Factor) x RCI (Regional Cost Index Factor)] - Expected Minimum Local Contribution


Total Foundation Aid
Selected Foundation Aid
Selected TAFPU
Greater of
$500
Adjusted Foundation Aid Amount
Pupil Needs Index
Regional Cost Index
Local Share
ADM
Enrollment Index
Summer ADM x 0.12
SWD x 1.41
Lesser of
Foundation Amount
1 + Consumer Price Index Δ
Phase In Foundation %
1
Extraordinary Needs %
Expected Minimum Local Contribution
Foundation State Sharing Ratio
Adjusted FA Amount
1
FASSR
EN Count
K-12 Public Enrollment
Selected AV / TWFPU
Local Tax Factor
Income Wealth Index
Greater of
1.37 - (FACWR x 1.23)
1.00 - (FACWR x .64)
.80 - (FACWR x .39)
0.51 - (FACWR x .173)
2000 Census Poverty x Public Enrollment x 0.65
English Language Learners x 0.5
3 yr avg. K-6 FRPL % Public Enrollment x 0.65
Sparsity Count
(Adjusted Gross Income/TWFPU)/ State Average
Selected AGI / TWPU / State Average
0.5
Selected AV / TWPU / State Average
0.5
FACWR
Pupil Count
Aid Ratio
Other

Rockefeller Institute Foundation Aid Study

Purpose of the Study:

- Issues with the foundation aid formula have been around for a long time
- Numerous attempts were made to replace or revise certain elements of the formula
- Full implementation of the formula was delayed, until 2023-24 full phase in completed
- SED had been asking for funding to conduct a multi-year study to update various components of the study
- During the 2024-25 state budget negotiations, the Governor proposed changes to the CPI index used in the formula and eliminating 1/3 of the total "save harmless", which were ultimately rejected in the enacted state budget
    - $2m was appropriated for the Rockefeller Institute to study the issue and present a report by Dec.1

Rockefeller Institute Foundation Aid Study

Process of the Study:

- Stakeholder meetings
  - Institute staff met with advocate groups and experts to understand the scope
- Public Hearings
  - Five public hearings were held throughout the state
  - NYC, Long Island, Western NY, Capital Region, and "Rural" NY
- Written Comments & Testimony

Rockefeller Institute Foundation Aid Study

Results of the Study:

- Overview of financial background
  - Spending per pupil
  - Key cost drivers
  - State contributions
- Literature review and financial aid history
  - Background of school finance reform
  - Campaign for Fiscal Equity
  - Formula design
  - What are other states doing

Rockefeller Institute Foundation Aid Study

Recommendations by topic:

- Foundation Amount *(update student performance measures, update cost/pupil measurements, CPI)*
- Pupil Need (update poverty measurements, replace FRPL w/ economically disadvantage counts, create weighting for ELLs)
- Regional Costs *(replace regional cost index with National Center for Education Statistics (NCES) Comparable Wage Index for Teachers (CWIFT))*
- Local Share *(includes changes to Combined Wealth Ratio (CWR) and State Sharing Ratio (SSR))*
- Pupil Counts *(remove special ed counts and create new categorical aid)*
- Save Harmless & Reserves *(save harmless phase out, guaranteed minimums, use of reserves)*
- Other Policy *(student mental health, growth aid, STAR, zero emissions bus mandate)*

This report is only advisory, it's unclear if any recommendations will be implemented now or in the future.

Long Range Financial Planning

Long Range Financial Planning – What is It?

- Financial plan forecast next 3-5 years
- Uses high-level assumptions
- Tool to identify opportunities & obstructions

Why Have a Plan?

- Financial Stability & Support
  - Early identification of potential problems
  - Determine if current revenues can support future costs
  - Program evaluation
  - Measure efficiency & effectiveness of existing programs
  - Simulate “what-if” scenarios
- Comptroller Audits & Best Practices
- Credit Ratings
  - Foundational Support Document

Looking Ahead

- Future of Foundation Aid
- Spending trends
- Student demographics & needs are shifting
- Schools are undertaking new initiatives

Looking Ahead

- Inflation
- Negotiations
  - Recruitment efforts
- Health insurance
  - OPEB costs
- Utilities

- Interest rates
- Debt service
- Construction
- Supplies & Materials

Who Should be Involved in Planning

- Superintendent
- BOE
- Cabinet
- Building leaders
- Experts

What Information Do You Analyze/Include

- Historical
- Student Data (demographics, enrollment, performance)
- Staffing
- Financial
- Comparative Analysis?

Major Expenditure Assumptions

- All items trended from historical (actual) costs
- Salary growth (contractual)
  - Instructional staff
    - Column/step movement?
  - Support staff
    - Longevity?
  - Substitutes, OT, Differentials
  - Turnover/salary breakage
  - New positions?
- Employee Benefit Trends:
  - Health, dental, vision insurance increases per year
  - TRS & ERS

Long Range Financial Planning - Expenditures

Debt Service Schedule

Fiscal Year	$50,000,000 DASNY SB		Refund Bonds $1,500,000		$17,800,000 Cap Project		Total Principal and Interest			Bus BANS			
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P& I	Principal	Interest	New BANS	Total Bus BANS
2023-24	$385,000	$115,950	$190,000	$17,700	$920,000	$566,531	$1,495,000	$700,181	$2,195,181	$99,593	$5,024	$122,000	$226,617
2024-25	$400,000	$96,700	$195,000	$12,000	$950,000	$534,331	$1,545,000	$643,031	$2,188,031	$99,593	$3,411	$122,000	$225,004
2025-26	$420,000	$76,700	$205,000	$6,150	$985,000	$501,081	$1,610,000	$583,931	$2,193,931	$102,581	$3,513	$125,000	$231,094
2026-27	$445,000	$55,700			$1,020,000	$465,375	$1,465,000	$521,075	$1,986,075	$105,658	$3,619	$130,000	$239,277
2027-28	$465,000	$33,450			$1,055,000	$428,400	$1,520,000	$461,850	$1,981,850	$108,828	$3,727	$135,000	$247,555
2028-29	$240,000	$10,800			$1,095,000	$388,838	$1,335,000	$399,638	$1,734,638	$112,093	$3,839	$140,000	$255,932
2029-30					$1,140,000	$347,775	$1,140,000	$347,775	$1,487,775				
2030-31					$1,185,000	$302,175	$1,185,000	$302,175	$1,487,175				
2031-32					$1,230,000	$254,775	$1,230,000	$254,775	$1,484,775				
2032-33					$1,280,000	$204,038	$1,280,000	$204,038	$1,484,038				
2033-34					$1,335,000	$151,238	$1,335,000	$151,238	$1,486,238				
2034-35					$1,390,000	$94,500	$1,390,000	$94,500	$1,484,500				
2035-36					$710,000	$31,950	$710,000	$31,950	$741,950				

Major Expenditure Assumptions

What other assumptions could impact the plan?

- Tuition –?% growth per year
- BOCES – ?% growth per year
- Textbooks-?% growth per year
- Equipment ?% growth per year
- Contractual – ?% growth per year
  - Maintenance
  - Energy
- Materials and supplies-?% growth per year

Long Range Financial Planning - Revenues

Property Tax Cap Forecast

	BUDGET 2024	PROJECTIONS 2025	2026	2027	2028	2029
Tax Levy Limit (Cap) Before Exclusions						
Tax Levy Prior Year	$44,798,025	$44,982,025	$45,724,228	$46,954,512	$47,726,086	$48,459,676
Prior Year Reserve Offset	$0	$0	$0	$0	$0	$0
Reserve Amount	$0	$0	$0	$0	$0	$0
Tax Base Growth Factor	1.0000	1.0035	1.0025	1.0025	1.0025	1.0025
PILOTs Receivable Prior Year	$0	$0	$0	$0	$0	$0
Tort/ Judgement Exclusion Prior Year	$0	$0	$0	$0	$0	$0
Capital Tax Levy for Prior Year	$3,217,471	$3,082,061	$2,829,553	$3,376,798	$3,381,304	$3,375,905
Allowable Levy Growth Factor	1.0200	1.0200	1.0175	1.0170	1.0160	1.0150
PILOTS Receivable Current FYE	$0	$0	$0	$0	$0	$0
Available Carryover from Prior FYE	$0	$0	$0	$0	$0	$0
Total Levy Limit Before Exclusions	**$42,412,165**	**$42,898,549**	**$43,761,643**	**$44,437,917**	**$45,175,522**	**$45,882,994**
Exclusions						
Tax Levy Necessary for Expenditures Resulting from Tort Judgements Over 5%	$0	$0	$0	$0	$0	$0
Capital Levy for Current Year	$3,082,061	$2,829,553	$3,376,798	$3,381,304	$3,375,905	$3,383,430
ERS contribution increase greater than 2%	$0	$4,971	$0	$0	$0	$0
TRS contribution increase greater than 2%	$0	$0	$0	$0	$0	$0
Total Exclusions	**$3,082,061**	**$2,834,524**	**$3,376,798**	**$3,381,304**	**$3,375,905**	**$3,383,430**
Tax Levy Limit, Adjusted For Transfers, Plus Exclusions	**$45,494,226**	**$45,733,673**	**$47,138,441**	**$47,819,221**	**$48,551,427**	**$49,266,424**
Reserve Amount Used to Reduce Current Year Levy	$0	$0	$0	$0	$0	$0
Proposed Levy for Current Year, Net of Reserve $	$44,982,025	$45,724,228	$46,954,512	$47,726,086	$48,459,676	$49,259,261
OR Proposed Levy for Current Year, Net of Reserve %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	2024	2025	2026	2027	2028	2029
CURRENT FYE PROPOSED LEVY, $ entry	$44,982,025	$45,724,228	$46,954,512	$47,726,086	$48,459,676	$49,259,261
CURRENT FYE PROPOSED LEVY, % entry	$0	$0	$0	$0	$0	$0
CURRENT FYE PROPOSED LEVY, NET OF RESERVE %	0.41%	1.65%	2.69%	1.64%	1.54%	1.65%
TAX LEVY LIMIT %	**1.55%**	**1.67%**	**3.09%**	**1.84%**	**1.73%**	**1.66%**
DIFFERENCE BETWEEN TAX LEVY LIMIT AND PROPOSED LEVY	$512,201	$9,445	$183,929	$93,135	$91,751	$7,163
YEAR OVER YEAR CHANGE IN CURRENT FYE PROPOSED LEVY	$184,000	$742,203	$1,230,284	$771,574	$733,591	$799,585

Foundation Aid

- Save harmless preserved for 2025-26
- What doe the future hold?
- Federal budget in jeopardy
  - Direct impact on NYS
- Due minimum increases
- Foundation aid formula factors & variables
  - More important than ever

Expense Driven Aids

- BOCES Aid
- Transportation Aid
- Building Aid
- Public/Private Excess Cost Aid
- Look at expense forecast

Enrollment Driven Aids

- Textbook Aid = $58.25/student
- Computer Software Aid = $14.98/student
- Computer Hardware Aid = (enrollment x $24.40 x RWADA aid ratio)
- Library Materials = $6.25/student
- Look at enrollment projections

Enrollment Projections

- Consider enrollment studies & projections
- Analyze trends
- Work with local municipalities for housing developments

Now What?

Forecasting Models

- OSC's Model
  - https://www.osc.state.ny.us/local-government/academy/myfp/osc-multiyear-planning-templates
- Software companies
- In-house model (spreadsheet)

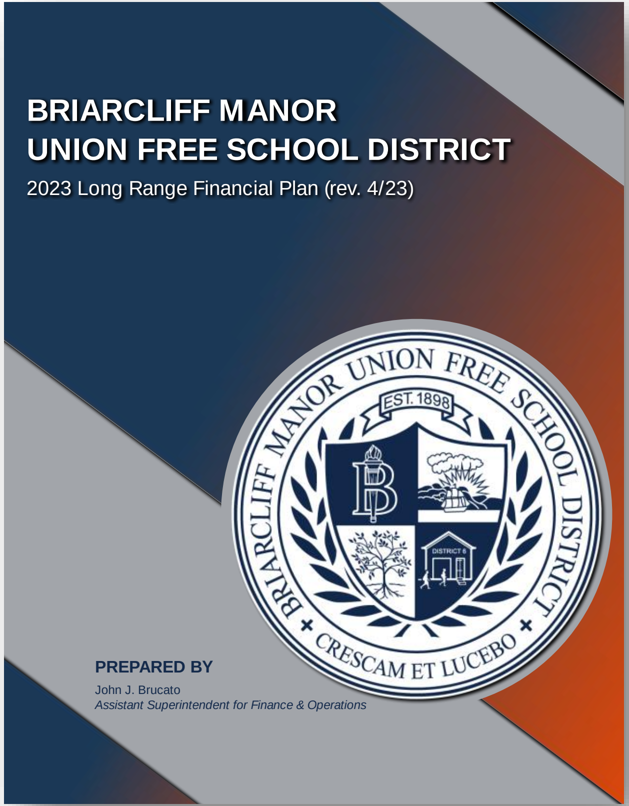
Review & Analyze the Plans?

Use of Reserves & Fund Balance

- Save for future obligations
- Provide financial stability by reducing reliance on indebtedness
- Temporarily finance unanticipated expenses
- Provides budget option that helps mitigate need to cut expenses/services or raise taxes
- Short-term ‘fix’ → not sustainable
- Reliance can have negative impact on credit rating
- Unassigned fund balance limited to 4% of the upcoming year’s budget
- Restrictions may apply

Communicating the Plan

- Provide regular updates
- Consider audience - tailor message
- Plan design
  - Narrative
  - Level of detail
  - Use of visuals
- Must post plan to website if BOE adopted



LRFP Demo

Resources

NYS Association of School Business Officials
https://www.asbonewyork.org/

NYS Education Department
https://stateaid.nysed.gov/

Questar *III* BOCES - State Aid and Financial Planning Service
https://www.questar.org/services/financial/state-aid-financial-planning/

Rockefeller Institute for Government
https://www.rockinst.org/

Contact Information

John Brucato
Assistant Superintendent for Finance & Operations
Briarcliff Manor UFSD
jbrucato@briarcliffschools.org
(914) 432-8116

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(914) 248-2320